MACKINAW AREA PUBLIC LIBRARY **MACKINAW CITY, MICHIGAN**

Financial Statements For the Year Ended June 30, 2004

Prepared By:Richard E. Mahlmeister, C.P.A. 580 South Nicolet, P.O. Box 996 Mackinaw City, MI 49701

Michigan Deptartment of Treasury 496 (2-04) Auditing Procedures Report

Issued under	r P.A. 2 of	1968,	as amend	led.						
Local Gove		oe wnshi	р	Village 🗹 Other	Local Governme Mackinaw	ent Name Area Public Library	,		County	ygan-Emmet
Audit Date 3/31/04				Opinion Date 12/13/04	-	Date Accountant Report Sub	omitted to State:			ygan Emmot
	Stateme		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	ing of the Govern	виента ассон	government and render inting Standards Board int in Michigan by the Mi	/CACD\	4 46	_	
2. We ar	e certifie	d pu	blic acc	ountants registered	d to practice in			DEPT	0	PEASURY 2004
		•••••	ondatio	1113		osed in the financial sta		iding the h	iotes, or	in the report of
	<u> </u>			box for each item b						NANCE DIV.
Yes	✓ No	1.	Certair	n component units/	funds/agencies	s of the local unit are ex	cluded from th	ne financia	l statem	ients.
Yes	✓ No	2.	There 275 of	are accumulated of 1980).	deficits in one	or more of this unit's u	nreserved fur	id balance	s/retaine	ed earnings (P.Æ
Yes	√ No	3.	There amend	are instances of r	non-compliance	with the Uniform Acc	ounting and	Budgeting	Act (P.,	A. 2 of 1968, a
Yes [V No	4.	The loc	cal unit has violat ments, or an order	ed the condition	ons of either an order the Emergency Municipa	issued unde al Loan Act.	r the Mun	icipal Fi	inance Act or it
Yes [✓ No	5.	The locas ame	cal unit holds depo ended [MCL 129.91	osits/investmen], or P.A. 55 of	nts which do not compl f 1982, as amended [MC	y with statuto CL 38.1132]).	ry requirer	ments. (1	P.A. 20 of 1943
Yes [✓ No	6.	The loc	al unit has been de	elinquent in dist	tributing tax revenues th	nat were collec	ted for an	other ta	xing unit.
Yes [∠ No	١.	berigion	i benefits (normal	costs) in the c	utional requirement (Art urrent year. If the plan quirement, no contribution	is more than	100% fun	ded and	the overfunding
Yes [∠ No	8.	The loc	cal unit uses credit 29.241).	t cards and ha	as not adopted an app	licable policy	as require	ed by P	.A. 266 of 1995
Yes	✓ No	9.	The loca	al unit has not adop	oted an investn	nent policy as required t	oy P.A. 196 of	1997 (MC	L 129.9	5).
We have en	closed	the f	ollowin	ıg:			Enclosed	To Forwa		Not Required
The letter of	f comme	nts a	ind reco	ommendations.			~			required
Reports on i	individua	al fed	eral fina	ancial assistance p	rograms (progr	am audits).				
Single Audit	Reports	(AS	LGU).							· ·
Certified Public		•	- /	PA, PC						
P.O. Box	996, 58	 0-\$c	outh N	icolet Street	1	City Mackinaw C	ity	State MI	ZIP	01
Account of Sign		/	M.	1111,	\$ 1	mackinaw Ci		Date	497	01
$ \prime$ \cup \setminus	\leq		1100	mal 0	,			I		1

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

	PAGE
MANAGEMENT'S DISCUSSION AND ANALYSIS	1-3
BASIS FINANCIAL STATEMENTS	
Government-wide Financial Statements Statement of Net Assets Statement of Activities	4 5
Fund Financial Statements Balance Sheet-Governmental Fund Statement of Revenues, Expenditures and Changes	6-7
In Fund Balances-Governmental Fund	8-9
NOTES TO FINANCIAL STATEMENTS	10-15
SUPPLEMENTARY INFORMATION	
GENERAL FUND Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	16
INTERNAL CONTROL AND COMPLIANCE	
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS	17 10



Member:

American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

December 13, 2004

Members of the Board Mackinaw Area Public Library Mackinaw City, Michigan

I have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of the *Mackinaw Area Public Library*, as of and for the year ended June 30, 2004, which collectively comprise the Library's financial statements as listed in the table of contents. These financial statements are the responsibility of the *Mackinaw Area Public Library's* management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the remaining aggregate fund information of the *Mackinaw Area Public Library*, as of June 30, 2004, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Library has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as of June 30, 2004.

In accordance with Government Auditing Standards, I have also issued my report dated December 13, 2004 on my consideration of the Mackinaw Area Public Library's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 1 through 3 and 16, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

Richard E. Mahlmeister, C.P.A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mackinaw Area Public Library, a District Library located in Mackinaw City, Michigan, has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). Please note that in future years, comparative information will be provided.

This section of the Library's annual financial report presents our discussion and analysis of the Library's financial performance during the fiscal year ended June 30, 2004. Please read it in conjunction with the financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Library's operations in more detail than the government-wide financial statements.

FINANCIAL HIGHLIGHTS

Assets at June 30, 2004 totaled \$194,016. Of the total, \$111,323 represents capital assets, net of depreciation.

Revenues were \$151,420 (\$10,082 from program revenues and \$141,338 from general revenues). Overall expenses were \$184,176.

No significant capital assets were purchased during the year and the Library has no debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: 1) management's discussion and analysis; 2) the basic financial statements; and 3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Library.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and/or business-type activities. There were no business-type activities for the fiscal year June 30, 2004.

The remaining statements are fund financial statements, which focus on individual parts of the Library in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Library as a whole, using accounting methods used by private companies. The Statement of Net Assets includes all of the Library's assets and liabilities. The Statement of Activities records all of the current year's revenues and expenses, regardless of when received or paid.

The two Government-wide statements report net assets and how they have changed. Net assets are the difference between the Library's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Library's net assets are an indicator of whether financial position is improving or deteriorating.

To assess the overall health of the Library, you may also consider additional factors such as tax base changes, facility conditions, and personal changes.

All of the activities of the Library are reported as governmental activities; which are the operations recorded in the General Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. They may also be created by the Library Board. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Library has the following type of fund:

Governmental Funds

The Library's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Library's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

The Library maintains one fund, the General Fund. The Library is financed primarily by property tax revenue, state aid, contributions from private individuals and penal fines collected from Cheboygan and Emmet County.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FUND ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Assets

The Township's governmental activities net assets decreased \$32,756 during the year, to total \$194,016. The General Fund net assets decreased primarily due to depreciation costs of the capital assets in the amount of \$32,280.

ANALYSIS OF SIGNIFICANT REVENUES AND EXPENSES

The Library's revenues consisted primarily of the following:

- \$101,050 of property tax and contributions from other governmental units.
- \$4,695 in state aid.
- \$31,115 in penal fines from Cheboygan and Emmet County.
- \$8,842 in donations from private individuals.

Major expenditures consist of:

- \$87,102 in wages and payroll taxes.
- \$20,391 in books and periodicals.
- \$20,492 in insurance.

We continue to strive to maintain the same level of service to our constituents that we have always provided with the funding we have available.

Capital Asset and Debt Administration

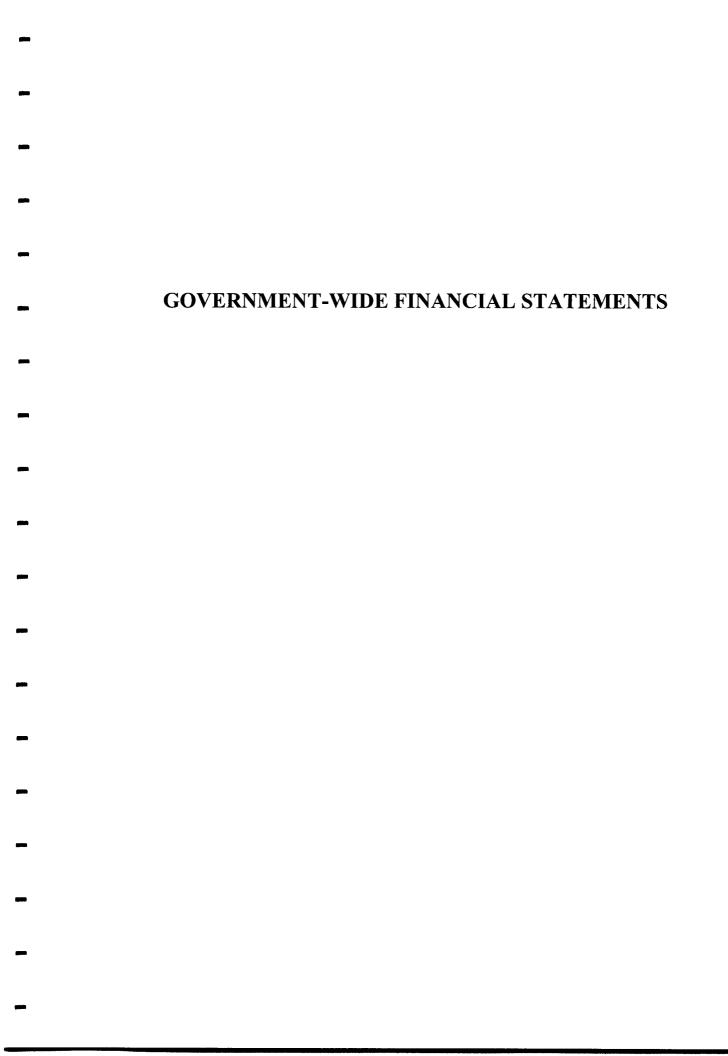
At June 30, 2004, the Library capitalized assets in the amount of \$315. Our capital assets of \$347,671 consist of land, building and improvements, computers and equipment.

At June 30, 2004 the Township had no debt outstanding.

CONTACTING LIBRARY MANAGEMENT

This financial report is designed to provide our citizens, and customers with a general overview of the Library's finances and to demonstrate the Library's accountability for revenues it receives. If you have any questions concerning this report, or need additional information, please contact the Library at 231.436.5451.

-	
-	
_	
_	
-	
-	BASIC FINANCIAL STATEMENTS
-	
-	
_	
•	
_	
-	
_	
_	
_	
•	
_	
-	



MACKINAW AREA PUBLIC LIBRARY STATEMENT OF NET ASSETS JUNE 30, 2004

		PRIMARY GOVERNMENT
	ASSETS	GOVERNMENTAL ACTIVITIES
_	Cash and cash equivalents	\$31,693
	Investments	51,000
	Capital assets	347,671
-	Accumulated depreciation	(236,348)
_	TOTAL ASSETS	\$194,016
	NET ASSETS	
_	Invested in capital assets, net of related debt	\$111,323
	Unreserved	82,693
-	TOTAL NET ASSETS	\$194,016

MACKINAW AREA PUBLIC LIBRARY STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2004

		Program Rev	enues	Net (Expense) Revenue and Changes in Net Assets Primary Government	
		~	Operating		
Functions/Programs	Expenses	Charges for Services	Grants and Contributions	TOTAL	
Primary government					
Governmental activities					
Recreation and culture	\$184,176	\$1,240	\$8,842	(\$174,094)	
	Ge	neral Revenues			
	Pi	roperty taxes		101,050	
	St	ate revenues		4,695	
	U	nrestricted interest incor	ne	2,039	
	0	ther	=	33,554	
	Tot	tal general revenues	-	141,338	
	Ch	ange in net assets		(32,756)	
	Net	assets, beginning of yea	r _	226,772	
	Net	assets, end of year		\$194,016	

The accompanying notes are an integral part of these financial statements.

-	
-	
-	
-	
-	
-	FUND FINANCIAL STATEMENTS
_	
_	
_	
-	
	
_	
_	
_	
_	
_	
_	
_	
-	
-	

MACKINAW AREA PUBLIC LIBRARY BALANCE SHEET - GOVERNMENTAL FUND JUNE 30, 2004

	TOTAL
	GOVERNMENTAL
ASSETS	FUND
Cash and cash equivalents	\$31,693
Investments	51,000
TOTAL ASSETS	\$82,693
FUND EQUITY	
Fund balance - Designated for subsequent year expenditures	\$20,000
Fund balance - Designated for children's programs	\$8,700
Fund balance - Unreserved, undesignated	53,993
TOTAL FUND EQUITY	\$82,693

MACKINAW AREA PUBLIC LIBRARY BALANCE SHEET - GOVERNMENTAL FUND JUNE 30, 2004

Reconciliation of fund balances on the balance sheet for governmental activities to the statement of net assets	
FUND BALANCE - TOTAL GOVERNMENTAL FUND	\$82,693
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Add: capital assets	347,671
Subtract: accumulated depreciation	(236,348)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$194,016

MACKINAW AREA PUBLIC LIBRARY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUND FOR THE YEAR ENDED JUNE 30, 2004

Property taxes		REVENUES:	
Private donations 8,842 Penal filnes 31,115 Book files 1,551 Copy machine fees 1,498 Fax machine fees 142 Interest on savings 2,039 Book sale 483 Miscellaneous 405 TOTAL REVENUES 151,420 EXPENDITURES: 80,867 Salaries and wages 80,867 Employee benefits 6,235 Office supplies 1,472 Operating supplies 986 Professional services 5,055 Printing and publishing 42 Communications 6,549 Transportation 395 Books and periodicals 20,991 Insurance 20,492 Utilities 6,014 Repairs and maintenance - supplies 1,071 Repairs and maintenance - labor 2,013 Miscellaneous 315 Capital outlay 315 TOTAL EXPENDITURES 152,211 FUND BALANCES - BEGINNING OF YEAR		Property taxes	\$101,050
Penal fines 31,115 Book fines 1,551 Copy machine fees 142 Interest on savings 2,039 Book sale 483 Miscellaneous 405 TOTAL REVENUES 151,420 EXPENDITURES: 80,667 Employee benefits 6,235 Office supplies 6,235 Office supplies 986 Professional services 5,055 Printing and publishing 42 Communications 6,549 Transportation 395 Books and periodicals 20,391 Insurance 20,492 Utilities 6,014 Repairs and maintenance - supplies 1,071 Repairs and maintenance - labor 2,013 Miscellaneous 315 TOTAL EXPENDITURES 152,211 TOTAL EXPENDITURES 152,211 FUND BALANCES - BEGINNING OF YEAR 83,484		State aid	4,695
Book fines		Private donations	8,842
Copy machine fees 1,098 Fax machine fees 142 Interest on savings 2,039 Book sale 483 Miscellaneous 405 TOTAL REVENUES EXPENDITURES: Salaries and wages 80,867 Employee benefits 6,235 Office supplies 6,235 Office supplies 986 Professional services 5,055 Printing and publishing 42 Communications 6,549 Transportation 395 Books and periodicals 20,391 Insurance 20,492 Utilities 6,014 Repairs and maintenance - supplies 1,071 Repairs and maintenance - labor 314 Capital outlay 315 TOTAL EXPENDITURES 152,211 TOTAL EXPENDITURES 791 FUND BALANCES - BEGINNING OF YEAR 83,484		Penal fines	31,115
Fax machine fees		Book fines	1,551
Interest on savings		Copy machine fees	1,098
Book sale Miscellaneous 483 Miscellaneous TOTAL REVENUES 151,420 EXPENDITURES:		Fax machine fees	142
Miscellaneous 405 TOTAL REVENUES 151,420 EXPENDITURES: 80,867 Employee benefits 6,235 Office supplies 986 Professional services 5,055 Printing and publishing 42 Communications 6,549 Transportation 395 Books and periodicals 20,391 Insurance 20,492 Utilities 6,614 Repairs and maintenance - supplies 1,071 Repairs and maintenance - labor 2,013 Miscellaneous 314 Capital outlay 315 TOTAL EXPENDITURES 152,211 REVENUE (UNDER) EXPENDITURES (791) FUND BALANCES - BEGINNING OF YEAR 83,484		Interest on savings	2,039
TOTAL REVENUES 151,420		Book sale	483
EXPENDITURES: Salaries and wages 80,867 Employee benefits 6,235 Office supplies 1,472 Operating supplies 986 Professional services 5,055 Printing and publishing 42 Communications 6,549 Transportation 395 Books and periodicals 20,391 Insurance 20,492 Utilities 6,014 Repairs and maintenance - supplies 1,071 Repairs and maintenance - labor 2,013 Miscellaneous 314 Capital outlay 315 TOTAL EXPENDITURES 152,211 FUND BALANCES - BEGINNING OF YEAR 83,484 FUND BALANCES - END OF YEAR 83,484		Miscellaneous	405
EXPENDITURES: Salaries and wages 80,867 Employee benefits 6,235 Office supplies 1,472 Operating supplies 986 Professional services 5,055 Printing and publishing 42 Communications 6,549 Transportation 395 Books and periodicals 20,391 Insurance 20,492 Utilities 6,014 Repairs and maintenance - supplies 1,071 Repairs and maintenance - labor 2,013 Miscellaneous 314 Capital outlay 315 TOTAL EXPENDITURES 152,211 FUND BALANCES - BEGINNING OF YEAR 83,484 FUND BALANCES - END OF YEAR 83,484	-		
Salaries and wages 80,867 Employee benefits 6,235 Office supplies 1,472 Operating supplies 986 Professional services 5,055 Printing and publishing 42 Communications 6,549 Transportation 395 Books and periodicals 20,391 Insurance 20,492 Utilities 6,014 Repairs and maintenance - supplies 1,071 Repairs and maintenance - labor 2,013 Miscellaneous 314 Capital outlay 315 TOTAL EXPENDITURES 152,211 REVENUE (UNDER) EXPENDITURES (791) FUND BALANCES - BEGINNING OF YEAR 83,484 FUND BALANCES - END OF YEAR \$82,693		TOTAL REVENUES	151,420
Salaries and wages 80,867 Employee benefits 6,235 Office supplies 1,472 Operating supplies 986 Professional services 5,055 Printing and publishing 42 Communications 6,549 Transportation 395 Books and periodicals 20,391 Insurance 20,492 Utilities 6,014 Repairs and maintenance - supplies 1,071 Repairs and maintenance - labor 2,013 Miscellaneous 314 Capital outlay 315 TOTAL EXPENDITURES 152,211 REVENUE (UNDER) EXPENDITURES (791) FUND BALANCES - BEGINNING OF YEAR 83,484 FUND BALANCES - END OF YEAR \$82,693			
Employee benefits 6,235 Office supplies 1,472 Operating supplies 986 Professional services 5,055 Printing and publishing 42 Communications 6,549 Transportation 395 Books and periodicals 20,391 Insurance 20,492 Utilities 6,014 Repairs and maintenance - supplies 1,071 Repairs and maintenance - labor 2,013 Miscellaneous 315 TOTAL EXPENDITURES 152,211 REVENUE (UNDER) EXPENDITURES (791) FUND BALANCES - BEGINNING OF YEAR 83,484	_	EXPENDITURES:	
Office supplies		Salaries and wages	80,867
Operating supplies 986 Professional services 5,055 Printing and publishing 42 Communications 6,549 Transportation 395 Books and periodicals 20,391 Insurance 20,492 Utilities 6,014 Repairs and maintenance - supplies 1,071 Repairs and maintenance - labor 2,013 Miscellaneous 314 Capital outlay 315 TOTAL EXPENDITURES 152,211 REVENUE (UNDER) EXPENDITURES (791) FUND BALANCES - BEGINNING OF YEAR 83,484		Employee benefits	
Professional services 5,055 Printing and publishing 42 Communications 6,549 Transportation 395 Books and periodicals 20,391 Insurance 20,492 Utilities 6,014 Repairs and maintenance - supplies 1,071 Repairs and maintenance - labor 2,013 Miscellaneous 314 Capital outlay 315 TOTAL EXPENDITURES 152,211 REVENUE (UNDER) EXPENDITURES (791) FUND BALANCES - BEGINNING OF YEAR 83,484	-	Office supplies	1,472
Printing and publishing 42 Communications 6,549 Transportation 395 Books and periodicals 20,391 Insurance 20,492 Utilities 6,014 Repairs and maintenance - supplies 1,071 Repairs and maintenance - labor 2,013 Miscellaneous 314 Capital outlay 315 TOTAL EXPENDITURES 152,211 REVENUE (UNDER) EXPENDITURES (791) FUND BALANCES - BEGINNING OF YEAR 83,484		Operating supplies	986
Communications 6,549 Transportation 395 Books and periodicals 20,391 Insurance 20,492 Utilities 6,014 Repairs and maintenance - supplies 1,071 Repairs and maintenance - labor 2,013 Miscellaneous 314 Capital outlay 315 TOTAL EXPENDITURES 152,211 REVENUE (UNDER) EXPENDITURES (791) FUND BALANCES - BEGINNING OF YEAR 83,484 FUND BALANCES - END OF YEAR \$82,693		Professional services	5,055
Transportation 395 Books and periodicals 20,391 Insurance 20,492 Utilities 6,014 Repairs and maintenance - supplies 1,071 Repairs and maintenance - labor 2,013 Miscellaneous 314 Capital outlay 315 TOTAL EXPENDITURES 152,211 REVENUE (UNDER) EXPENDITURES (791) FUND BALANCES - BEGINNING OF YEAR 83,484 FUND BALANCES - END OF YEAR \$82,693	_	Printing and publishing	
Books and periodicals 20,391		Communications	
Insurance Utilities 6,014 Repairs and maintenance - supplies 1,071 Repairs and maintenance - labor 2,013 Miscellaneous Capital outlay 315 TOTAL EXPENDITURES 152,211 REVENUE (UNDER) EXPENDITURES (791) FUND BALANCES - BEGINNING OF YEAR \$3,484		Transportation	
Utilities Repairs and maintenance - supplies Repairs and maintenance - labor 2,013 Miscellaneous Capital outlay TOTAL EXPENDITURES 152,211 REVENUE (UNDER) EXPENDITURES (791) FUND BALANCES - BEGINNING OF YEAR 83,484		Books and periodicals	
Repairs and maintenance - supplies Repairs and maintenance - labor Repairs and maintenance - labor Repairs and maintenance - labor Alignment		Insurance	
Repairs and maintenance - labor Miscellaneous Capital outlay TOTAL EXPENDITURES S82.693		Utilities	
Miscellaneous Capital outlay TOTAL EXPENDITURES TOTAL EXPENDITURES REVENUE (UNDER) EXPENDITURES (791) FUND BALANCES - BEGINNING OF YEAR \$3,484		Repairs and maintenance - supplies	
Capital outlay TOTAL EXPENDITURES REVENUE (UNDER) EXPENDITURES FUND BALANCES - BEGINNING OF YEAR S82,693	_	Repairs and maintenance - labor	2,013
TOTAL EXPENDITURES REVENUE (UNDER) EXPENDITURES (791) FUND BALANCES - BEGINNING OF YEAR S82,693		Miscellaneous	
FUND BALANCES - END OF YEAR REVENUE (UNDER) EXPENDITURES (791) 83,484 \$82,693		Capital outlay	315
FUND BALANCES - END OF YEAR REVENUE (UNDER) EXPENDITURES (791) 83,484 \$82,693	-		
FUND BALANCES - BEGINNING OF YEAR FUND BALANCES - END OF YEAR \$82,693		TOTAL EXPENDITURES	152,211
FUND BALANCES - BEGINNING OF YEAR FUND BALANCES - END OF YEAR \$82,693			
FUND BALANCES - END OF YEAR \$82,693	_	REVENUE (UNDER) EXPENDITURES	(791)
FUND BALANCES - END OF YEAR \$82,693		FUND BALANCES - BEGINNING OF YEAR	83,484
	_	FUND BALANCES - END OF YEAR	\$82,693

MACKINAW AREA PUBLIC LIBRARY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUND FOR THE YEAR ENDED JUNE 30, 2004

Reconciliation of statement of revenues, expenditures and changes in fund balances of governmental funds to statement of activities	
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	(\$791)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, those costs are allocated over their useful lives as annual depreciation expense in the statement of activities.	
Add: capital outlay capitalized during the current year	315
Subtract: depreciation expense	(32,280)
CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	(\$32,756)
The accompanying notes are an integral part of these financial statements.	

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE REPORTING ENTITY

The *Mackinaw Area Public Library* is recognized as a legally established District Library pursuant to Michigan P.A. 24, Section 6, 1989, serving the Mackinaw City, Levering and Pellston areas of Northern Lower Michigan's Emmet and Cheboygan Counties.

For external financial reporting purposes, the Library includes all funds that are controlled by or dependent on the District's legislative branch. The *Mackinaw Area Public Library* is considered to be a local governmental unit.

The Library has followed the guidelines of the Governmental Accounting Standards Board's Statement No. 14 and has determined that no entities should be consolidated into its financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the library. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support (the library does not have any business-type activities).

The statement of activities demonstrates the degree to which direct expenses of a given function or segment offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use. Or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues are reported instead as general revenue.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Major funds are generally those that represent 10% or more of the respective fund type assets, liabilities, revenues or expenditures. The township considers all funds to be major funds.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

FUND TYPES AND MAJOR FUNDS

Governmental Funds

General Fund - The General Fund is the general (and only) operating fund of the Library. It is used to account for all financial resources except those required to be accounted for in another fund. Financing is provided primarily by property taxes, penal fines, state aid and contributions.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits and savings accounts.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS

Investments are stated at cost and consist of certificates of deposit with maturity values of three months or longer.

RECEIVABLES AND PAYABLES

All receivables and payables are reported at their gross values.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

CAPITAL ASSETS

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Capital assets are defined by varying values and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The library does not currently capitalize its collections. Expenditures for maintenance and repair are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements 10 - 40 years Computer, and office equipment 5 - 10 years Furniture and fixtures 5 - 10 years

FUND EQUITY

Reserved fund balances for governmental funds indicate that a portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spendable resources. Designated fund balance indicates that a portion of fund equity for which the Library has made tentative plans. Undesignated fund balance indicates that portion of fund equity, which is available for budgeting in future periods.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED

BUDGETS AND BUDGETARY ACCOUNTING

The Library follows the following procedures in establishing the budgetary data reflected in the financial statements:

- 1. Prior to the beginning of the fiscal year, the Library Board prepares a proposed operating budget for the fiscal year commencing on July 1.
- 2. Public hearings are conducted to obtain taxpayer comments.
- 3. Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Library Board.

The Library Board's budgetary procedures are in compliance with P.A 621 of 1978 (The Uniform Budgeting Act).

NOTE 2: CASH AND INTEREST BEARING DEPOSITS

The caption on the combined balance sheet relating to cash, cash equivalents and investments represent deposits in one financial institution located in Cheboygan County in varying amounts as follows:

Cash and cash equivalents	\$31,693
Investments	51,000
	\$82,693

All accounts are in the name of the Library. The deposits do not exceed \$100,000 and, therefore, are covered by the Federal Deposit Insurance Corporation (F.D.I.C.).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2: CASH AND INTEREST BEARING DEPOSITS (CONTINUED)

Michigan Compiled Laws, Section 129.91, authorizes units of local governments to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or an agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated by the two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase, obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

NOTE 3: CAPITAL ASSETS

Capital asset activity for the current year was as follows:

	Balance			Balance
	July 1, 2003	Additions	Deletions	June 30, 2004
Not being depreciated:				
Land	\$15,000	\$ -	\$ -	\$15,000
Being depreciated:				
Buildings	171,859	-	-	171,859
Building				
Improvements	21,940	-	-	21,940
Computer equipment	30,282	-	-	30,282
Library & Office				
Equipment	22,323	-	-	22,323
Furniture & fixtures	85,952	315	-	86,267
Subtotal	347,356	315	-	347,671
Less accumulated				
depreciation	(204,068)	(32,280)		(236,348)
Total	\$143,288	(\$31,965)	\$ -	\$111,323

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 4: PROPERTY TAXES

Property tax revenues shown in the General Fund reflect the 2003 Library levy on the assessed valuation of property located in the Counties as of the preceding December 31st. Taxable values are established annually by the Counties. The 2003 levy covers the Library's fiscal year of July 1, 2003 to June 30, 2004. The 2003 tax levy became a lien on properties on December 1, 2003, and was substantially collected in early 2004. Taxes became delinquent on March 1, 2004. Property tax revenues from the participating townships generated \$101,050 for general operating purposes.

NOTE 5: CONTINGENT LIABILITIES

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, suits, complaints, and employee injuries. In the opinion of management, all such potential matters are adequately covered by insurance and would not have a significant effect on the financial position or results of operations of the Library. Claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

-	
-	
-	
-	
-	
-	SUPPLEMENTARY INFORMATION
-	
-	
-	
-	
-	
-	
-	
-	
-	
-	
-	
-	
-	

MACKINAW AREA PUBLIC LIBRARY GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:	DODGET	DUDGET	- ALC TOTAL	(1.1201111.2)
Property taxes	\$99,000	\$99,000	\$101,050	\$2,050
State aid	4,000	4,000	4,695	695
Private donations	5,000	5,000	8,842	3,842
Penal fines	24,000	24,000	31,115	7,115
Book fines	1,400	1,400	1,551	151
Copy machine fees	1,300	1,300	1,098	(202)
Fax machine fees	350	350	142	(208)
Interest on savings	1,100	1,100	2,039	939
Book sale	650	650	483	(167)
Miscellaneous	200	200	405	205
TOTAL REVENUES	137,000	137,000	151,420	14,420
EXPENDITURES:				
Salaries and wages	85,000	81,000	80,867	133
Employee benefits	7,000	6,350	6,235	115
Office supplies	1,900	1,500	1,472	28
Operating supplies	1,000	1,000	986	14
Professional services	3,200	5,100	5,055	45
Printing and publishing	500	500	42	458
Communications	6,500	6,600	6,549	51
Transportation	600	600	395	205
Books and periodicals	18,300	20,800	20,391	409
Insurance	18,000	20,500	20,492	8
Utilities	6,300	6,300	6,014	286
Repairs and maintenance - supplies	1,700	1,000	1,071	(71)
Repairs and maintenance - labor	1,000	2,100	2,013	87
Miscellaneous	1,000	500	314	186
Capital outlay	5,000	3,150	315	2,835
TOTAL EXPENDITURES	157,000	157,000	152,211	4,789
REVENUE OVER (UNDER) EXPENDITURES	(20,000)	(20,000)	(791)	19,209
FUND BALANCES - BEGINNING OF YEAR	83,484	83,484	83,484	
FUND BALANCES - END OF YEAR	\$63,484	\$63,484	\$82,693	\$19,209

-	
-	
-	
-	
-	
-	INTERNAL CONTROL AND COMPLIANCE
-	
-	
-	
-	
-	
-	
-	
-	
-	
-	
-	
-	
-	

Member:

American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

December 13, 2004

Members of the Board Mackinaw Area Public Library Mackinaw City, Michigan

I have audited the financial statements of the governmental activities and the aggregate remaining fund information of the *Mackinaw Area Public Library*, as of and for the year ended June 30, 2004, which collectively comprise the *Mackinaw Area Public Library's* basic financial statements and have issued my report thereon dated December 13, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, I considered the *Mackinaw Area Public Library's* internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted a certain matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgement, could adversely affect the *Mackinaw Area Public Library's* ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. This reportable condition is that because of inherent staff limitations, there is a general lack of segregation of duties in the collection and disbursement of funds. The Library recognizes the risk, but no action will be implemented due to the costs exceeding the benefits.

A material weakness is a condition in which the design or operations of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that also considered to be material weaknesses. However, I believe that the reportable condition described above is not a material weakness.

Compliance

As part of obtaining reasonable assurance about whether the *Mackinaw Area Public Library* financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my test disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, I noted certain matters that I have reported to management of the Mackinaw Area Public Library, in a separate letter dated December 13, 2004.

This report is intended solely for the information and us of management, members of the board, state and federal awarding agencies and is not intended to be used by anyone other than these specified parties.

Richard E. Mahlmeister, C.P.A.



Member:

American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

December 13, 2004

Members of the Board Mackinaw Area Public Library Mackinaw City, Michigan

In planning and performing my audit of the financial statements of *Mackinaw Area Public Library* for the year ended June 30, 2004, I considered the Library's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit I became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated December 13, 2004, on the financial statements of *Mackinaw Area Public Library*.

Thank you for the opportunity to serve *Mackinaw Area Public Library*. I always appreciate the assistance I received from the Director, Assistant Director and Staff during my audit. Best wishes in the next year.

Mallette

Sincerely.

Richard E. Mahlmeister, C.P.A.

Mackinaw Area Public Library Comments & Suggestions December 13, 2004 Page 2 (two)

REPORTABLE CONDITION

Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgement, could adversely affect the Library's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The reportable condition that exists is that there is a lack of segregation of duties in both the receipting and disbursement function of the Library. This condition is generally inherent in organizations the size of the Mackinaw Area Public Library, where corrective action is not practical, and is not necessarily considered to be a material weakness.

CAPITAL ASSETS

In performing my audit procedures I noted that items of small value are being included as capital assets in the listing of capital assets as prepared by management. The *Government Officer's Finance Association* (GFOA) recommends that assets that have a useful life of at least one-year and a cost of \$5,000 be included as a capital asset.

I recommend that the Library Board review the policy as to which assets should be recorded as a fixed asset. I further would recommend that the Board at least make this threshold \$500 to \$1,000. Adopting a capitalization policy with these minimums would exclude assets of minimal value and would make the record keeping less cumbersome and would create more useful capital asset information.